

Message Text

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10

ORIGIN EB-11

INFO OCT-01 NEA-10 ADP-00 AGR-20 COME-00 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 INR-10 NSAE-00 PA-03 PRS-01 USIA-15 /130 R

DRAFTED BY EB/ORF/OFP-CBILLO/AMAYIO/LMS

8/28/73 EXT: 23090

APPROVED BY EB/ORF/OFP-AMAYIO

USDA/EMS-FMCKNIGHT

NEA/IRN-MMICHAUD

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R 282221Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

UNCLAS STATE 171499

E.O. 11652:

TAGS:EAGR IR

SUBJECT:AGRICULTURAL COMMODITY SITUATION

REF: TEHRAN 5888

SUMMARY

1. USG IS FULLY AWARE OF THE TRADITIONAL LARGE RELIANCE OF IRAN ON US SOURCES OF SUPPLY FOR GRAINS AND VEGETABLE OILS, AND DIFFICULTIES CAUSED BY LARGE PRICE INCREASES RESULTING FROM WORLD-WIDE TIGHT COMMODITY SITUATION. ALL COUNTRIES INCLUDING THE U.S. ARE SUFFERING SIMILARLY. TO ALLEVIATE SITUATION USG HAS ABANDONED ALL PRODUCTION RESTRAINTS AND BELIEVES PRODUCTION RESPONSE IN BOTH US AND ABROAD TO CURRENT HIGH PRICES WILL BE SUFFICIENT TO MEET NORMAL NEEDS OF IMPORTING COUNTRIES THIS YEAR AND IN 1974.

2. LATEST COMPLETE FIGURES ON WORLD COMMODITY SUPPLY AND PRICES FOLLOW:

A. WAT (MILLION METRIC TONS)

ESTIMATED

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	1971/72	1972/73	1973/74
PRODUCTION			
WORLD	323.7	313.9	333
USA	44.0	42.0	47

EXPORTS

WORLD	55.5	72.6	67
USA	16.9	32.0	30

STOCKS (AS OF JUNE 30) 1971/72 1972/73 1973/74

MAJOR COMPETITORS 26.0 17.8 17

USA 23.5 11.6 8

TOTAL 49.5 29.6 25

PRICES (PER TON) AUGUST 23, 1972 AUGUST 23, 1973

FOB PACIFIC NORTHWEST PORTS DOLS. 63.93 DOLS. 200.25

HARDWINTER WHEAT (ORDINARY PROTEIN)

WESTERN WHITE DOLS. 64.30 DOLS. 202.10

B. EDIBLE VEGETABLE OILS (1,000 METRIC TONS) PROJECTED

1971 1972 1973

WORLD PRODUCTION 20,665 21,660 21,650

USA 6,141 6,465 7,176

WORLD EXPORTS 5,661 5,945 6,378

US EXPORTS 3,121 3,058 3,590

U.S. STOCKS AS OF OCT. 1,

348 353 180

U.S. PRICES (PER POUND) AUGUST 1972 AUGUST 1973

SOYBEAN OIL

DECATUR, ILL. 9.98 CENTS 36.17 CENTS

3. WORLD-WIDE INFLATION, US DEVALUATION, RISING INCOMES AND DIETARY LEVELS IN MANY COUNTRIES COMBINED WITH CROP LOSSES IN MANY PARTS OF THE WORLD ARE RESPONSIBLE FOR TIGHT COMMODITY SITUATION. ON SUPPLY SIDE CONTRIBUTING FACTORS HAVE BEEN: WINTER KILL AND DROUGHT IN USSR IN 1971/72, DROUGHT IN IN INDIA, AND IN PEANUT GROWING AREAS OF AFRICA; DROUGHT IN AUSTRALIA AND SOUTH AFRICA; THE SHARP DECLINE IN PRODUCTION OF THE FISHMEAL INDUSTRY IN PERU; AND FLOODING AND HEAVY RAINS IN US THAT DELAYED PLANTING THIS SPRING. THE U.S. HAS BORNE THE BRUNT OF THE WORLD'S INCREASED IMPORT DEMAND BROUGHT ABOUT BY PRODUCTION SHORTFALLS AND THE DECLINE IN EXPORT AVAILABILITIES OF OTHER SUPPLIERS

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BY HEAVILY DRAWING DOWN ITS OWN STOCKS. OUR WHEAT STOCKS WERE CUT IN HALF FROM 23.5 MILLION METRIC TONS AS OF JUNE 30, 1972 TO 11.6 MILLION TONS AS OF JUNE 30, 1973. OUR FEEDGRAIN STOCKS WERE CUT 8.6 MILLION FOOD TONS BETWEEN THESE TWO DATES. THE DECLINE IN WORLD AND US GRAIN STOCKS, WHICH ACCOUNT FOR ABOUT 70 PERCENT OF THE STOCKS OF THE MAJOR EXPORTING COUNTRIES, TO ONE OF THE LOWEST LEVELS RELATIVE TO TOTAL TRADE SINCE THE KOREAN WAR HAS CREATED A SCARE PSYCHOLOGY IN THE IMPORTING COUNTRIES. MOST OF THESE COUNTRIES HAVE ALREADY MADE PURCHASES THIS EARLY IN THE NEW CROP YEAR TO COVER THEIR FULL YEAR'S REQUIREMENTS, AND THE CONCENTRATION OF EXPORT ORDERS HAS BEEN A MAIN FACTOR IN THE PRICE SITUATION.

4. VEGETABLE OIL SITUATION, DESPITE CURRENT EXPORT CONTROLS SHOWS SIGNS OF IMPROVEMENT AND RECOVERY IN THE COMING YEAR. THE CURRENT SHORTAGE OF OILSEED AND PROTEIN MEAL WHICH HAS RESULTED IN SUCH A SHARP RISE IN THE PRICE OF SOYBEANS DURING THE LAST SIX MONTHS WAS CAUSED BY A COMBINATION OF WORLD WIDE FACTORS WHICH IS UNLIKELY TO OCCUR IN THE FUTURE. SUCH FACTORS CAUSED INCREASED STRAINS ON THE WORLD'S SUPPLY OF PROTEIN MEAL AND VEGETABLE OILS AT A TIME WHEN US AND OTHER PRODUCERS' CARRYOVER STOCKS FROM THE PREVIOUS CROP YEAR WERE ALREADY DRAWN DOWN. EVEN WITH AN OUTLOOK, FOR A BUMPER CROP OF SOYBEANS IN THE U.S. THIS FALL AS WELL AS A RETURN TO MORE NORMAL PATTERNS OF PRODUCTION OF PROTEINS ELSEWHERE, PROTEIN MEAL PRICES IN 1974 SHOULD REMAIN FIRM, ALTHOUGH OIL PRICES WILL LIKELY DROP CONSIDERABLY. THUS, IT IS EXPECTED THAT CURRENT EXPORT CONTROLS ON VEGETABLE OILS CAN BE LIFTED IN OCTOBER BARRING UNFORESEEN DEVELOPMENTS.

FOR COMING YEAR THE OUTLOOK FOR GRAIN SUPPLY, DISTRIBUTION AND PRICES IS AS FOLLOWS:

A. PRICES

CURRENT TRENDS IN

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U.S. FUTURE MARKETS SUGGEST THAT DOMESTIC AND FOREIGN DEMAND IS FIRM AND WILL CONTINUE TO REMAIN SO FOR FORESEEABLE FUTURE. ON KANSAS CITY FUTURE MARKETS THE CURRENT PRICE FOR SEPTEMBER DELIVERY OF A BUSHEL OF WHEAT IS 4.88 DOLS. COMPARED TO ABOUT 3.00 DOLS. A MONTH AGO. FOR MAY, 1974 DELIVERY QUOTATION ON THE SAME MARKET IS OVER 4.00 DOLS PER BUSHEL.

B. SUPPLY AND DISTRIBUTION

IN TERMS OF SUPPLY AND DISTRIBUTION OF COMMODITIES AND WHAT IRAN MAY REASONABLY EXPECT IN THE COMING YEAR, SECRETARY BUTZ AND OTHERS HAVE RECENTLY REITERATED THE VIEW THAT EXPORT CONTROLS WILL NOT BE NECESSARY, BARRING SOME UNFORESEEABLE DISASTER IN US HARVESTS. THEREFORE, IT IS PREMATURE TO DISCUSS THE PRINCIPLES AND CRITERIA UNDER WHICH EXPORT CONTROLS MIGHT BE APPLIED AND THE CORRESPONDING RATIONALE THAT MIGHT EVOLVE FOR ANY EXCEPTIONS IN MAKING ALLOCATIONS ABROAD.

WITH REGARD TO PL 480, FY 1974 PROGRAM FOR MOST COMMODITIES IS BEING REDUCED TO THE MINIMUM NECESSARY

TO MEET MOST URGENT SECURITY AND HUMANITARIAN REQUIREMENTS.
HOWEVER,

POSSIBILITY STILL OPEN TO DELIVER VEG OIL TO IRAN UNDER EXISTING AGREEMENT DEPENDING ON AVAILABILITIES WHICH ARE NOW BEING ASSESSED. CONCERNING THE CCC CREDIT PROGRAM, A REVIEW IS IN PROCESS OF IRAN'S AND OTHER COUNTRIES' PENDING REQUESTS FOR CREDIT LINES, BUT NO DECISIONS AS YET MADE.

AS STATED ABOVE, WORLD SUPPLIES OF GRAIN ARE TIGHT BUT DEEMED ADEQUATE TO COVER NORMAL CONSUMPTION REQUIREMENTS. BUYERS OF WHEAT AND OTHER GRAINS, HOWEVER, WILL HAVE TO RESIGN THEMSELVES TO CONTINUED HIGH PRICES FOR THE FORESEEABLE FUTURE, IN THIS REGARD, ACCORDING TO RECENT TRADE REPORTS, IRAN PURCHASED 500-700,000 TONS U.S. WHEAT DURING PAST WEEK FOR SEPTEMBER-DECEMBER SHIPMENT. AVERAGE PRICE WAS REPORTEDLY 198 DOLS. PER UNCLASSIFIED

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TON.

5. MORE DETAILS AND EXPLANATORY MATERIAL ARE CONTAINED IN USDA CIRCULAR ISSUED AUGUST 24 ENTITLED QUOTE.WORLD GRAIN SITUATION: REVIEW AND OUTLOOK, UNQUOTE. AND IN SPEECH BY ASSISTANT SECRETARY OF AGRICULTURAL CARROLL G. BRUNTHAVER BEFORE THE AMERICAN SOYBEAN ASSOCIATION ON AUGUST 21, 1973, WHICH ARE BEING POUCHED TO EMBASSY. RUSH

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<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, FOOD SHORTAGE, INFLATION, PL 480, VEGETABLE OILS, COMMODITY ASSISTANCE, EXPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE171499
Document Source: ADS
Document Unique ID: 00
Drafter: EB/ORF/OFP-CBILLO/AMAYIO/LMS
Enclosure: n/a
Executive Order: 11652
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730869/abqceika.tel
Line Count: 193
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: TEHRAN 5888 SUMMARY
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 09 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Jan-2002 by reddocgw>; APPROVED <04 MAR 2002 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AGRICULTURAL COMMODITY SITUATION
TAGS: EAGR, IR
To: TEHRAN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005